

# EXHIBIT K

June 28, 2007

*Sent Via: Hand Delivered*

The Honorable Leon Erol Cort  
Minister of Finance and the Economy  
Queen Elizabeth Highway  
St. John's

***RE: ABST***

Dear Minister Cort:

Per your suggestion I write to express my concerns about what I believe to be a misunderstanding by certain custom officials as well as university landlords regarding the applicability of ABST to the American University of Antigua (hereinafter AUA) and the negative impact it is causing AUA..

After a review of the law and other government publications, it seems clear that AUA is exempt from ABST. If not, it is the only business in Antigua that is subject to it because of the absence of a pass through.

I hope and trust that you agree and if so, I would appreciate a letter indicating same. As I am sure you understand without such documentation the university is forced to outlay an additional 15% on all its purchases. However of greater concern, is the commitment of our investors and lenders. The government contract with AUA as well as the Cabinet decision was presented to our lenders and investors in order to raise capital for university projects. They relied on those documents in committing funds for the university campus project.

Some of our investors also have seen the original agreement entered into by the government and AUA in 2003 which provided AUA with certain concessions that AUA agreed to forego in the present agreement.

As our lender stated: "How can you assure us that next week or next year the agreement you have with government will not be changed by adding additional costs. We cannot continue to invest in a situation where economic terms can be changed by one party, even if it is a sovereign state."

Please understand that the above opinion is not shared by me. I am aware of the government's and your support. I bring it to your attention so you will be aware of some of the concerns that I must address in order to make this project successful. I have replied to those concerns by indicating that I believe there is simply a misunderstanding of the law by certain landlords and custom officials, which I hope will be resolved in the near future.

I have pointed out to them that the agreement and charter between AUA and the Government of Antigua and Barbuda in paragraph 8.1 states:

### 8. Taxes and Duties

8.1 Government shall exercise its discretion in giving most favorable consideration to applications for exemption from customs duty and consumption tax on equipment, materials, or supplies imported by the Corporation for use by the University, the list of any such equipment, materials or supplies which may include but not limited to building materials, pre-fab buildings, furniture, furnishings, equipment, medical supplies, vehicles, computers, books and cadavers for the University's use. Applications are to be made to cabinet with the approved list to be vetted by the Ministry of Finance and the Ministry of works. Customs Service Tax must be paid.

And that:

On March 7<sup>th</sup>, 2006, Cabinet passed an application for Duty Free Concession. This document granted AUA an exemption from Duty and Consumption Tax. (I have attached that decision as well as the January 23<sup>rd</sup>, 2004 Cabinet decision of the prior administration which I note is less restrictive than the March 7<sup>th</sup> 2006 cabinet decision.) (See attachment A)

I have also noted that the Agreement and Charter between Antigua and Barbuda is dated March 9<sup>th</sup>, 2007 because it was a condition of the agreement that AUA be granted a waiver on Duty and Consumption taxes. Therefore, the agreement was dated after the Cabinet decision of March 7<sup>th</sup>, 2006.

In addition a review of ABST documents published by the government indicates that ABST does not apply to AUA. Government documents clearly state that ABST will replace Consumption Tax. (see attachment B) Since AUA is exempt from Consumption Tax it should be exempt from its replacement tax, ABST. Especially in view of the fact that the government has stated that ABST is not an additional tax. (see attachment C)

In addition, the ABST Registration Guide states under section 5 that a non taxable activity is ... "An activity to the extent that the activity involves the making of exempt supplies...."

And that:

Section 9 of the Registration Guide states "What are exempt supplies..." Exempt supplies include "Educational services including both private and state provided education..."

Your opinion on this matter is of paramount importance, and if you are in agreement with my analysis of this situation, your earliest response would be greatly appreciated. If I am indeed correct, I can insure that the money for the university's growth and expansion can continue to flow.

I want to again thank you for your support of the American University of Antigua and its campus construction. I look forward to seeing you in the near future if your schedule permits.

In closing, I thought you might be interested in the enclosed document which indicates the amount provided by members of the AUA community.

Thank you.

Sincerely yours.

Neal S. Simon  
President

NSS:kbk

Attachment(s)

IN THE CABINET OF ANTIGUA AND BARBUDA

Tuesday 7<sup>th</sup> March, 2006

MR 23 2006

Application for Duty Free Concessions -  
American University of Antigua Campus

*(initials)*  
ANTIGUA

59. Cabinet agreed to grant to the American University of Antigua College of Medicine (AUACM) exemption from the payment of Duty and Consumption Tax on the importation of items imported for use by the University. These items include but are not limited to project buildings, furniture, office equipment, medical equipment, medical supplies, medical education equipment and building materials. This exemption does not include personal items of faculty members and/or students. The list of items and their quantities are to be submitted to and vetted by the Ministry of Works and the Ministry of Health. The Customs Service Tax and Environmental Levy (where applicable) must be paid on the items.

60. Cabinet also agreed to grant to American University of Antigua College of Medicine (AUACM) exemption from the payment of Duty and Consumption Tax on the importation of a maximum of five (5) Motor Vehicles to be used by the medical school for medical school business. The type of vehicles to be determined on consultation with the Ministry of Works. The Customs Service Tax and Environmental Levy must be paid on the vehicles.

*D o c*  
*attachment a*

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61. The concessions are subject to suspension or revocation should the  
American University of Antigua College of Medicine (AUACM) fail to use the  
concessions for the purposes for which they are granted and AUACM shall be  
liable to pay the Government the amount of any relief or exemption already  
received pursuant to the Cabinet decision.

62. Cabinet noted that the Agreement and Charter for the American University  
of Antigua College of Medicine which currently operates on Friars Hill Road is to  
be executed by the Government and the University during the current week.

World Health Day 2005  
"decision of the Cabinet of Antigua and  
Barbuda"

Secretary to the Cabinet (A.G.)

C.99

MINUTE

To : The Permanent Secretary, Ministry of Finance  
From : Secretary to the Cabinet  
Date : 23<sup>rd</sup> January, 2004  
Ref No. : C.S. 1/5

Application for Duty Free Concessions -  
American University of Antigua (AUA)

Further to its decision of 26<sup>th</sup> February, 2003, regarding the establishment of the American University School of Medicine of Antigua and Barbuda, Cabinet at a meeting held on Wednesday 7<sup>th</sup> January, 2004, agreed to the recommendation that as stated in its agreement between American University of Antigua (AUA) and Government of Antigua and Barbuda, the American University of Antigua should be granted exemption from Duty, Consumption Tax and Customs Service Tax on importation of goods to be used by the Medical School, its administration, faculty and students. These items include but are not limited to personal effects, furniture, office equipment, medical equipment, medical supplies and building materials.

Cabinet also agreed that American University of Antigua (AUA) should be granted exemption from Duty, Consumption Tax and Customs Service Tax on the importation of six (6) vehicles for use of the Medical School.

  
Secretary to the Cabinet

cc: The Comptroller of Customs  
American University of America (AUA)